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Central Intelligence Agency
National Foreign Assessment Center
June-July 1980

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REVIEW OF SOVIET INTERNAL AFFAIRS [REDACTED]

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Domestic Politics

During most of the past two months the Soviet leadership devoted its attention to setting the stage for its own political convention--the 26th party congress--and trying to put relations with the West back on track. [REDACTED]

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Several obstacles frustrated these efforts--above all, lack of progress in formulating the 1981-85 economic plan directives, the partial attendance at "their" Olympic Games, and the continuing effects of their military occupation of Afghanistan. [REDACTED]

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The Soviet leaders can be expected to persist in searching for ways around these roadblocks in the months preceding the congress, which is scheduled for next February. They may be particularly active on the diplomatic front, hoping to create an international climate more propitious to a favorable outcome on the major issues of economic development and political succession. [REDACTED]

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Preparing for the Congress

A Central Committee plenum in June approved a "business-as-usual" agenda for the 26th party congress. Brezhnev and Kosygin were named to deliver the principal addresses--a move suggesting that both men have recovered to some extent from their health problems of late last year. The plenum also announced a timetable for the pregress round of local party meetings. Scheduled to begin next month, these

This review is based on analysis and research work completed by CIA's National Foreign Assessment Center through 13 August 1980. The contributions have been reviewed by appropriate individuals within NFAC but have not been formally coordinated. Comments are welcome and may be addressed to Chief, Internal Branch, USSR-EE Division, Office of Political Analysis, Room 6 G 22, CIA Headquarters [REDACTED]

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meetings will provide the party leadership an opportunity to make personnel changes that will shape the Central Committee to be "elected" at the party congress. One of the most important political events in Soviet life, this process will engage a great deal of the leadership's attention. [redacted]

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Brezhnev's report to the June plenum contained only a few general remarks on economic matters, reflecting a "go-slow" approach on such issues. The target date for a first draft of the 11th Five-Year Plan (1981-85), is 15 September, but major disputes in several areas--notably, fuel and energy--appear to be causing delays in its preparation. Gosplan does not expect to have the finished product ready for ratification until mid-May--approximately two and a half months after the end of the 26th congress. [redacted]

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Retuning Soviet Diplomacy

Brezhnev was equally brief in commenting on the world scene at the June plenum, but his remarks suggested a desire to revive detente if at all possible. He noted that a return to more "normal" conditions in Afghanistan had allowed Moscow to withdraw some of its troops, and he stressed the need to persevere with the peace program laid down by the 24th and 25th party congresses. Gromyko's more detailed assessment was less optimistic, judging from the plenum's resolution on his report, but it is not clear to what extent such differences in tone reflect divergent views within the top leadership. They may simply be meant to preserve Moscow's freedom of maneuver on the issue. [redacted]

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Brezhnev and the other Soviet leaders seem to believe that their token withdrawal from Afghanistan and other recent moves--for example, the new TNF proposal made during West German Chancellor Schmidt's visit--will help revive detente. In any case, their present approach holds out the possibility for constructive discussions and even concessions in areas of significant concern to the West, provided that the latter de-emphasize the Afghan issue. This more conciliatory approach probably was prompted in part by domestic considerations such as concern for the viability of the lagging economy or popular grumbling over the "costs" of Soviet actions in Afghanistan. [redacted]

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Playing for Time at Home

The new law on the authority of local soviets, adopted at the June session of the USSR Supreme Soviet, illustrates

the leadership's predilection for halfway measures on controversial issues. While the new law appears to be aimed at improving the coordination of local planning and management, it is not clear that the newly expanded powers of local elected bodies will do the trick. The law does not address the difficulty created by the absence of authoritative administrative structures within the territorial production complexes. Without such structures capable of overruling the parochial interests of participating ministries, the changes signify little more than tinkering with the existing centralized structure. [redacted]

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A recent Central Committee decree calling for a "socialist competition" to spur production reinforces the impression that the leadership has not faced the need for major reforms to ease the country's economic problems. [redacted]

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Projecting Stability at the Top

During the period under review there were several signs of a conscious effort to convey the impression of stability within the top leadership--presumably to head off speculation, at home and abroad, on the succession issue. Brezhnev and Kosygin were unusually active during June and July before going on their annual vacations. Since then, Kirilenko and Tikhonov have been in charge at the Secretariat and the Council of Ministers, respectively. As expected, Chernenko accompanied Brezhnev to the Crimea, and the other leaders seem to be engaged in routine business. Suslov's prolonged absence--he has not appeared in public since early July--may simply mean that he is on vacation. [redacted]

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In addition, Ustinov's return to the scene in late June put an end to speculation on how the Politburo might cope with the problem of selecting his successor as Defense Minister if this became necessary. [redacted]

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[redacted]
[redacted] USSR-Eastern Europe Division, Office of Political Analysis)

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Economic Affairs

Halfway through 1980, we see little indication of significant improvement in the performance of the Soviet economy. On balance, we estimate that GNP growth will be less than 3 percent this year. [redacted]

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Industry Still Lagging

Industrial production grew 3.9 percent in the first half of 1980 compared with the first half of 1979. This figure is misleading, however, because industrial performance in the first six months of 1979 was so poor. Moreover, below-plan output of several commodities essential to economic recovery--most notably steel, coal, and cement--will limit industrial growth in the months ahead. We expect output to increase only about 3 percent for the year--just slightly better than last year's postwar low of 2.2 percent. []

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Energy Scene

Soviet energy problems persist. Overall energy production in the first six months of 1980 rose 3 percent compared with the same period in 1979, far short of the planned 4.5 percent increase.

- Soviet oil production during the first half of this year averaged about 11.9 million barrels per day--3.5 percent more than the first half of 1979. Oil production during the rest of 1980 will have to average almost 12.3 million barrels per day to reach the 1980 production goal of 12.1 million barrels per day, a feat we believe will be difficult to achieve.
- Coal output for the first half of 1980 was down 1 percent from that posted in the corresponding period of 1979. For the year, coal output is unlikely to exceed 725 million tons, an amount 20 million tons short of the revised annual goal.
- Gas output through the first six months of 1980 was up 6.7 percent over last year, although still slightly behind the 6.9 percent planned for this year. It is likely that the 1980 target of 436 billion cubic meters will be met as production picks up in the fourth quarter. []

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In an effort to cope with the tightening supply situation, the USSR Council of Ministers for the first time in its annual resolution on winter fuel has set

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specific targets for energy conservation. Their resolution directs the national and republic ministries and departments to reduce consumption of coal, fuel oil, and gas by 3 percent, electricity by 1 to 3 percent, and heat cogenerated from power plants by 1 to 2 percent. This year's resolution on winter fuel, taken together with reports of cutbacks in fuel deliveries to industrial enterprises, reflects the growing difficulties being encountered in the Soviet Union in the production and delivery of energy.

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Soviet leaders are struggling to fashion an energy policy for the 1980s. The complexity of the task as well as disagreement over this policy is one of the primary factors delaying completion of the 1981-85 plan. The agendas recently adopted for the republic party congresses, which will be held in mid-January and early February 1981, indicate that party leaders are uncertain about when all work on the plan will be completed. None of the agendas include a report on the next five-year plan, even though it is one of the main items to be discussed at the 26th party congress scheduled for 23 February. In past years, the republic congresses have discussed the draft five-year plans. The absence of the item from the agendas this time suggests that party planners expect work on the plan to continue to the last hour and that they wish to keep open the options either of dispensing with the discussions or rescheduling the republic congresses.

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Agriculture

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Hot, dry weather during July has lowered yields in some USSR grain areas. As a result, we now estimate total Soviet grain output at roughly 210 million tons, at the low end of our previous forecast of 210 to 220 million tons. If this projection holds, the harvest would fall about 25 million tons below the 1980 target, but would still represent a marked recovery from last year's poor 179-million-ton crop. Assuming no more than marginal cuts are made in current livestock herds and that rebuilding of depleted grain stocks is postponed, about 240 million tons of grain will be needed to meet domestic requirements this year.

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Economic Denial Measures Largely Ineffective

The economic denial measures against the USSR have drawn only limited support from our allies. At best they have been reluctant partners, with their responses seemingly aimed more at placating Washington than punishing Moscow. Plans are currently under way,

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for example, to build a large diameter, high capacity pipeline from West Siberia to Western Europe--the biggest East-West project ever undertaken. The deal will be a financial bonanza for the USSR, but, more significantly, it reflects the success Moscow has had in undermining Western economic sanctions. The single area where the sanctions have had a significant impact is the grain embargo. Our latest figures indicate that the Soviets have replaced 6.5 million of the 17 million tons of grain denied this year by the United States and should face an 8-million-ton shortfall compared with their preembargo expectations.

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Living Standards

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Per capita consumption of meat, a major standard by which Soviet consumers gauge their welfare, is expected to decline by almost 3 percent this year--the result of last year's disappointing grain harvest and, to some extent, restricted imports of US grain. As a result, per capita consumption in the Soviet Union is likely to fall to a level equal to that in 1975. Recent reports indicate that some Soviet consumers are openly expressing their displeasure over the growing food shortages. Strikes at the Togliatti and Gorkiy auto and truck plants in May were at least partially caused by food shortages. Widely scattered incidents of unrest during the last year in Yerevan, Estonia, and Murmansk also are linked to the worsening food situation.

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Real per capita consumption in the USSR is less than a third that in the US, far behind major West European countries and Japan, and even lags behind most of Eastern Europe. Moreover, progress in raising living standards in the USSR is likely to slow to a crawl in the 1980s as overall economic growth slows under the impact of labor and energy shortages and low productivity. (USSR-Eastern Europe Division, Office of Economic Research)

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